

Message Text

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ACTION EB-08

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SUBJ: TWA/IATA PROFIT REMITTANCES

REFFE (A) CAIRO 10981,) CAIRO 9990, (C) CAIRO 8651

1. SUMMARY: IATA CARRIERS OPERATING IN CAIRO REMAIN UNABLE TO TRANSFER PROFITS DUE TO DISPUTE WITH GOE OVER ADDITIONAL 12.5 PER CENT SURCHARGE PLACED ON TICKETS SOLD LOCALLY WHICH WAS IMPLEMENTED IN NOVEMBER 1977. GOE MIN-ECON OFFICIALS INDICATE MOST RECENT DELAY STEMS FROM IATA'S UNWILLINGNESS TO ASSURE MINECON EXCHANGE CONTROL THAT NO LEGAL ACTION WILL BE BROUGHT BY IATA CARRIERS FOR REIMBURSEMENT OF FUNDS LOST DURING PERIOD OF UNILATERAL SUSPENSION OF SURCHARGE BY MINISTRY OF ECONOMY. MINECON OFFICIAL INDICATED THAT ASSURANCES WOULD PROMPT IMMEDIATE APPROVAL OF ALL PENDING TRANSFER REQUESTS. END SUMMARY.

2. AS NOTED REFTELS (NOT REPEATED MONTREAL), TWA APPLIED FOR TRANSFER OF PROFITS IN MARCH 1978. THIS WAS TWA'S FIRST APPLICATION FOR TRANSFER AFTER LOCAL IATA CARRIERS
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IMPOSED SECOND 12.5 PER CENT SURCHARGE, WITH APPROVAL OF GOE CIVIL AVIATION AUTHORITY, IN NOVEMBER 1977. IATA HAD EARLIER PROPOSED 25 PER CENT SURCHARGE TO OFFSET EXCHANGE RATE LOSSES RESULTING FROM PRICING TICKETS AT IATA/L.E. RATE (EQUIVALENT TO U.S. \$1.00 EQUALS 41 PIASTERS). IN 1975 NEGOTIATIONS WITH IATA, GOE OFFICIALS AGREED TO COMPROMISE ON AIR CARRIERS' REQUEST BY PROPOSING A

12.5 PER CENT SURCHARGE IN 1976 WITH ANNUAL INCREMENTS OF SAME MAGNITUDE UNTIL PRICE OF TICKETS WAS EQUIVALENT TO L.E. PARALLEL RATE OF U.S. \$1.00 EQUALS 70 PIASTERS. IN ACCORDANCE WITH AGREEMENT FIRST SURCHARGE IMPLEMENTED IN MAY 1976 AND SECOND IN NOVEMBER 1977, BY OFFICIAL DECREE OF GOE MINCIVAIR.

3. DIVISION OF EXCHANGE CONTROL IN MINISTRY OF ECONOMY AND ECONOMIC COOPERATION REPORTEDLY WAS UNAWARE OF SECOND SURCHARGE IMPOSITION UNTIL JANUARY 1978. UPON LEARNING OF IT, OFFICIALS OF EXCHANGE CONTROL INFORMED MINECON HAMED EL SAYEH WHO UNILATERALLY ORDERED ALL AIRLINES BY LETTER TO STOP COLLECTING ADDITIONAL 12.5 PER CENT. IATA CARRIERS REFUSED TO DO SO, CLAIMING ACTION WOULD PUT THEM IN DIRECT CONTRAVENTION OF GOE MINCIVAIR REGULATION AUTHORIZING ASSESSMENT OF SURCHARGE. CONCURRENTLY EXCHANGE CONTROL MADE DECISION TO STOP AUTHORIZATION OF REMITTANCES FOR IATA CARRIERS WITH APPROVAL OF MINECON EL SAYEH UNTIL MINISTRY HAD DETERMINED IMPOSITION OF SURCHARGE WAS LEGAL. IN LATE APRIL MINECON INDICATED VERBALLY THAT SURCHARGE WOULD BE APPROVED, AND TWA INFORMED EMBASSY THAT THEY BELIEVED ISSUE RESOLVED.

4. DESPITE ABOVE, IATA CARRIERS' ACCOUNTS REMAIN BLOCKED. TWA INFORMED US JUNE 20 THAT GOE OFFICE OF EXCHANGE CONTROL INDICATED THEY REQUIRE ASSURANCES THAT LIMITED OFFICIAL USE

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INDIVIDUAL IATA CARRIERS WILL NOT REQUEST REIMBURSEMENT FOR ANY LOSSES INCURRED AS RESULT OF BLOCKAGE OF PROFIT REMITTANCES AND "SUSPENSION" OF SURCHARGE. ABDOUN, DEPUTY DIRECTOR OF EXCHANGE CONTROL, CONFIRMED IN CONVERSATION WITH EMBOFF JUNE 21 THAT HIS OFFICE WAS AWAITING LETTER FROM IATA OR THE LOCAL IATA GROUP (BOARD OF AIRLINE REPRESENTATIVES--BAR). ACCORDING ABDOUN, RECEIPT OF LETTER BY EXCHANGE CONTROL AUTHORITIES SHOULD PAVE WAY FOR APPROVAL OF PENDING TRANSFER APPLICATIONS.

5. COMMENT: AS WE UNDERSTAND SITUATION, GOE ARGUMENT THAT CARRIERS MIGHT APPLY FOR REIMBURSEMENT OF 12.5 PER CENT SURCHARGE WHICH MINECON ORDERED DISCONTINUED SEEMS A BIT FARFETCHED. ALL IATA CARRIERS IGNORED DIRECTIVE AND CONTINUED TO ASSESS INCREMENTAL CHARGE. ACCOUNTS OF INDIVIDUAL AIRLINES WERE NOT SEIZED NOR WERE ANY CHARGES COLLECTED FROM CARRIERS. EXCHANGE CONTROL MERELY STOPPED AUTHORIZING CARRIERS' APPLICATIONS TO TRANSFER FUNDS. TWA MANAGER HAS INDICATED TWA WILL SEEK REDRESS ON ITS OWN BECAUSE FIRM DOES NOT BELIEVE IATA WILL BE ABLE TO MOUNT UNIFIED PROTEST. TO DATE, HOWEVER, TWA HAS TAKEN NO ACTION OTHER THAN ASKING EMBASSY

TO INTERVENE WITH APPROPRIATE GOE OFFICIALS. WE UNDER-
STAND TOO, OTHER EMBASSIES HAVE MADE LOW KEY APPROACHES.

6. AS NOTED ABOVE AND IN REFTELS, EMBASSY HAS CONTINUED
TO PUSH GOE FOR RESOLUTION OF PROBLEM, WITH
LIMITED RESPONSE. WE NOTE FURTHER THAT THIRD SURCHARGE
MAY BE IMPOSED LATER IN 1978 THOUGH MINECON EL SAYEH
STRESSED IN APPROVAL LETTER THAT AIRLINES SHOULD LIMIT
THEMSELVES TO PRESENT RATE STRUCTURE. AS RESULT, ISSUE
MAY CONTINUE TO PLAGUE IATA CARRIERS EVEN IF PRESENT
PROBLEM RESOLVED.

7. FOR MONTREAL: WOULD APPRECIATE ANY INFO USMISSION
MIGHT HAVE BEARING ON TOPIC. EILTS
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